

NOTICE OF  
PROPOSED RULE AMENDMENT

- The agency identified below in box 1 provides notice of proposed rule change pursuant to Utah Code Section 63G-3-301 and Subsection 53C-1-201(3)(c).
- Please address questions regarding information on this notice to the agency.
- The full text of all rule filings is published in the Utah State Bulletin unless excluded because of space constraints.
- The full text of all rule filings may also be inspected at the Division of Administrative Rules.

Agency Information

1. Agency: Insurance - Administration  
 Room no.: 3110  
 Building: STATE OFFICE BLDG  
 Street address 1: 450 N MAIN ST  
 Street address 2:  
 City, state, zip: SALT LAKE CITY UT 84114-1201  
 Mailing address 1: PO BOX 146901  
 Mailing address 2:  
 City, state, zip: SALT LAKE CITY UT 84114-6901

Contact person(s):

Name:	Phone:	Fax:	E-mail:
Jilene Whitby	801-538-3803	801-538-3829	jwhitby@utah.gov

(Interested persons may inspect this filing at the above address or at DAR during business hours)

Rule Information

DAR file no: 34175 Date filed: 10/28/2010 02:05 PM  
 State Admin Rule Filing Key: 150350  
 Utah Admin. Code ref. (R no.): R 590 - 133 -  
 Changed to Admin. Code ref. (R no.): - -

Title

2. Title of rule or section (catchline):  
 Variable Contracts

Notice Type

3. Type of notice: Amendment

Rule Purpose

4. Purpose of the rule or reason for the change:  
 The purpose of the rule is to update language, correct code citation, add a penalty and an enforcement section, and require a producer to be licensed as a variable contract producer in order to recommend the termination of a variable contract.

Response Information

5. This change is a response to comments by the Administrative Rules Review Committee.  
 No

Rule Summary

6. Summary of the rule or change:

The rule includes the following changes in language: "insurance code" to "title," "agent" to "producer," "which" to "that," "company" to "insurer," "National Association of Security Dealers" to Financial Industry Regulatory Authority," and made it gender neutral. The Authority section has been broadened from just covering variable contracts issued by domestic companies to variable contracts issued by any insurer. The definition section has been broadened to include the definitions in 31A-1-301, and deletes the definition of "agent" in the rule. Two new sections have been added to the rule, a Penalties section and an Enforcement Date section. The rule will now require producers be licensed as a variable contract producer in order to recommend to consumers that they terminate their variable contract.

#### Aggregate Cost Information

##### 7. Aggregate anticipated cost or savings to:

###### A) State budget:

Affected: No

There may be an increase in revenue if producers purchase the variable line of insurance to be able to recommend that a person terminate their variable contract. The cost for this license is \$25 a year. Currently there are around 24,000 life agents. Some of these already have this limited line license. It is unknown how many may add this line to their license.

###### B) Local government:

Affected: No

This rule will have no impact on local governments since it deals solely with the relationship between the department and their licensees.

###### C) Small businesses:

Affected: No

("small business" means a business employing fewer than 50 persons)

This could be a big impact on agencies who often pay for exams and license fees for their agents. The cost for a limited line insurance license would cost \$25. There would also be the cost for two securities license exams and a broker security license for a total of \$284. Currently there are around 24,000 life agents licensed to do business in Utah. Not all of these agents are actively selling life insurance products and some of them already have the limited line license so it is impossible to tell how many will obtain the limited license.

###### D) Persons other than small businesses, businesses, or local government entities:

Affected: No

("person" means any individual, partnership, corporation, association, governmental entity, or public or private organization of any character other than an agency)

Those agents who are required to pay for the cost of the limited license and securities exam and license would be required to pay a total of \$309.

#### Compliance Cost Information

##### 8. Compliance costs for affected persons:

Agents or agencies who decide to obtain the limited line insurance license will pay \$309 for the cost of the limited license and securities exam and license.

#### Department Head Comments

##### 9. A) Comments by the department head on the fiscal impact the rule may have on businesses:

This could bring additional licensing revenues into the state and provide consumer protection. Agents who obtain the additional licensing will be more educated and able to direct their clients in regard to variable contracts.

##### B) Name and title of department head commenting on the fiscal impacts:

Neal T. Gooch, Commissioner

#### Citation Information

##### 10. This rule change is authorized or mandated by state law, and implements or interprets the following state and federal laws.

State code or constitution citations (required) (e.g., Section 63G-3-402; Subsection 63G-3-601(3); Article IV) :

31A-5-217.5

31A-2-201

## Incorporated Materials

11. This rule adds, updates, or removes the following title of materials incorporated by references (a copy of materials incorporated by reference must be submitted to DAR; if none, leave blank) :

<p>Official Title of Materials Incorporated (from title page):</p> <p>Publisher:</p> <p>Date Issued:</p> <p>Issue, or version:</p> <p>ISBN Number:</p> <p>ISSN Number:</p> <p>Cost of Incorporated Reference:</p> <p>Adds, updates, removes:</p>
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## Comments

12. The public may submit written or oral comments to the agency identified in box 1. (The public may also request a hearing by submitting a written request to the agency. The agency is required to hold a hearing if it receives requests from ten interested persons or from an association having not fewer than ten members. Additionally, the request must be received by the agency not more than 15 days after the publication of this rule in the Utah State Bulletin. See Section 63G-3-302 and Rule R15-1 for more information.)

A) Comments will be accepted until 5:00 p.m. on (mm/dd/yyyy) :

12/15/2010

B) A public hearing (optional) will be held:

On (mm/dd/yyyy): At (hh:mm AM/PM): At (place):

12/07/2010 03:00 PM 450 N State, State Office Bldg, Rm 3112, Salt Lake City, UT 84114

## Proposed Effective Date

13. This rule change may become effective on (mm/dd/yyyy):

12/22/2010

NOTE: The date above is the date on which this rule MAY become effective. It is NOT the effective date. After the date designated in Box 12(A) above, the agency must submit a Notice of Effective Date to the Division of Administrative Rules to make this rule effective. Failure to submit a Notice of Effective Date will result in this rule lapsing and will require the agency to start the rulemaking process over.

## Indexing Information

14. Indexing information - keywords (maximum of four, in lower case, except for acronyms (e.g., "GRAMA") or proper nouns (e.g., "Medicaid")):
- insurance law

## File Information

15. Attach an RTF document containing the text of this rule change (filename):

There is a document associated with this rule filing.

## To the Agency

Information requested on this form is required by Sections 63G-3-301, 302, 303, and 402. Incomplete forms will be returned to the agency for completion, possibly delaying publication in the Utah State Bulletin, and delaying the first possible effective date.

## Agency Authorization